

audits needed by USDA shall be conducted or arranged by the Office of Inspector General in such a way as to avoid duplication of effort. Audit requirements in USDA individual agency regulations and directives for assistance programs administered in cooperation with State, local, and Indian Tribal governments shall be limited to requiring compliance with OMB Circular A-128 and this subpart.

(d) State, local and Indian Tribal governments for which OMB has assigned USDA as the “cognizant agency” shall apply the audit requirements set forth in Circular A-128 and this subpart.

(e) State, local and Indian Tribal governments that receive financial assistance from USDA, and have been assigned a cognizant agency other than USDA, shall follow the audit requirements established by the respective cognizant agency. If the designated cognizant agency has not established Circular A-128 audit requirements, or if OMB has not designated a cognizant agency, those units of governments shall follow the audit requirements contained in Circular A-128, and this subpart.

§ 3015.72 Definitions.

(a) *Cognizant agency* means the Federal agency assigned by OMB to carry out the responsibilities described in OMB Circular A-128. Within USDA the Secretary has designated the Office of Finance and Management (OFM) as the *cognizant agency*. OFM further has the responsibility to delegate cognizant agency responsibilities to those USDA awarding agencies that provide the major of Federal funds or services to the recipient and to monitor the agencies implementation of the Single Audit Act of 1984 and OMB Circular A-128. In those instances where USDA is designated as the cognizant agency, the USDA Office of Inspector General (OIG) shall fulfill the responsibilities defined in § 3015.74 of this subpart.

(b) *OIG* means the Office of Inspector General, United States Department of Agriculture.

(c) *Regional Inspector General* means the OIG official in the United States Department of Agriculture who is responsible for audit-related matters in

one of the designated regions covered by a Regional Audit Office.

(d) Other definitions applicable to this subpart are set forth in Appendix B.

§ 3015.73 Audit arrangements and requirements.

(a) *Arrangements.* (1) State, local and Indian Tribal governments shall use their own procedures to arrange for and prescribe the scope of independent audits, provided that such audits comply with the requirements set forth in this subpart and Circular A-128.

NOTE: It is not intended that audits required by this subpart be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work required by this subpart should be done in conjunction with those audits.

(2) In arranging for either single or additional audits of USDA programs, USDA awarding agencies and recipients shall coordinate proposed audit plans and related documents with the appropriate USDA Regional Inspector General prior to initiating the audit. The purpose of coordinating the proposed audit plans and related documents is to enable the Regional Inspector General to provide timely technical assistance and assure that satisfactory audit coverage is planned.

(3) Provisions shall be included in audit contracts requiring the audit organization to retain audit working papers and reports in accordance with § 3015.75(b).

(b) *Use of small and minority audit firms.* As set forth in Circular A-128, paragraph 19, small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts awarded to fulfill the audit requirements of Circular A-128 and this subpart.

(c) *Requirements—(1) Scope of audit.* (i) Each audit shall cover the entire operations of a State or local government or, at the option of government, it may cover departments, that agencies or establishments that received, expended, or otherwise administered Federal financial assistance during the year.

However, if a State or local government receives over \$25,000 in General Revenue Sharing funds in a fiscal year, it shall have an audit of the entire organization. A series of audits of individual departments, agencies, and establishments for the same fiscal year may be considered a single audit.

(ii) The single audit may exclude public hospitals and public colleges and universities. Such audits, if excluded from the scope of the single audit, shall be made in accordance with § 3015.77.

(iii) The audit shall determine and report in accordance with OMB Circular A-128 and § 3015.75.

(2) *Frequency of audit.* Audits shall be made annually unless the State or local government has, by January 1, 1987, a constitutional or statutory requirement for less frequent audits. For those governments, USDA shall permit biennial audits, covering both years, if the government so requests. USDA shall also honor requests for biennial audits by governments that have an administrative policy calling for audits less frequent than annual, but only for fiscal years beginning prior to January 1, 1987.

(3) *Internal control and compliance reviews.* Internal control and compliance reviews shall be conducted in accordance with OMB Circular A-128, paragraph 8.

(4) *Other testing.* The recipient's independent auditor is responsible for:

(i) Reviewing the recipient's system for monitoring subrecipients and obtaining and acting on subrecipient audit reports;

(ii) Testing to determine whether these systems are functioning in accordance with prescribed procedures;

(iii) Commenting on the recipient's monitoring procedures, if warranted by the circumstances; and

(iv) Considering whether subrecipient audits require adjustment of the recipient's financial statements, footnote disclosure, or modification of the auditor's report.

(5) *Subrecipients.* Each State, local, or Indian Tribal government that receives Federal financial assistance and provides \$25,000 or more of it in a fiscal year to a subrecipient shall follow the requirements set forth in Circular A-128, paragraph 9.

(6) *Relation to other audit requirements.*

(i) Audits made in accordance with Circular A-128 and this subpart shall be in lieu of any audit required under individual USDA Federal assistance programs. This paragraph applies to State, local, or Indian Tribal governments that made audits in accordance with Circular A-128 and this subpart, even though not required to do so.

(ii) USDA or its designees shall arrange for or make any additional audits that are necessary to carry out its responsibilities under Federal law or regulation. The provisions of Circular A-128 and this subpart do not authorize any State, local, or Indian Tribal government (or subrecipient thereof) to constrain, in any manner, USDA or its designee from carrying out such additional audits.

(iii) When the Office of Inspector General or USDA agencies make or contract for audits or evaluations in addition to the audits made by recipients pursuant to OMB Circular A-128 and this subpart, consistent with other applicable laws and regulations, the cost of such additional reviews shall be paid by USDA unless applicable laws and regulations provide for payment by the recipient. Such additional reviews include economy and efficiency audits, program results audits, and program evaluations.

§ 3015.74 Cognizant agencies.

(a) *Cognizant agency assignments.* In accordance with Circular A-128, OMB assigns cognizant agencies for State and larger local governments. In order to fulfill the cognizant responsibilities, other Federal agencies may participate with an assigned cognizant agency. Smaller governments not assigned a cognizant agency should contact the Federal agency that provides them the most funds.

(b) *OIG responsibilities.* When USDA is assigned as the cognizant agency, the OIG shall have the following responsibilities:

(1) Work with USDA awarding agencies to ensure that audits are made in a timely manner and in accordance with the requirements of Circular A-128 and this subpart;

(2) Provide the liaison between the Federal audit organizations, USDA